

Message Text

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PAGE 01 CAIRO 12407 01 OF 02 082003Z
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C O N F I D E N T I A L SECTION 01 OF 02 CAIRO 12407

E.O. 11652: GDS

TAGS: EG GGOV

SUBJECT: CABINET CHANGES, MUCH ADO ABOUT VERY LITTLE

REF: CAIRO 12323

SUMMARY: :M SALEM'S CABINET "RESHUFFLE" BRINGS FEW NEW FACES TO GOVERNMENT. IT WILL NOT AFFECT PEACE PROCESS, NOR IS IT LIKELY TO RESOLVE INTERNAL PROBLEMS WHICH HAVE BEDEVILED GOVERNMENT. CHANGE TOTALLY AVOIDS CORRUPTION ISSUE. INCREASE IN NUMBER OF MINISTRIES, DEMINUTION OF DEPUTY YM'S, AND RETENTION OF MOST OLD CABINET MEMBERS DO NOT ARGUE FOR NEW DEPARTURES--OR INCREASED EFFICIENCY. NEW CABINET, WITH 28 MEMBERS, WILL RETAIN LIMIT OF TWO COPTS AND ONE WOMAN. KAISSOUNI IS OUT, AND THAT SEEMS TO BE THE WHOLE POINT. ASU SECGEN MUSTAFA KHALIL DESCRIBED NEW CABINET AS "JOKE". WE SUSPECT MANY WILL SHARE THIS VIEW, EVEN IF THEY DON'T LAUGH MUCH. END SUMMARY.

1. AS EXPECTED, PM SALEM'S "RESHUFFLED" CABINET BROUGHT HEW NEW FACES TO GOVERNMENT. ALL MAJOR PLAYERS, WITH EXCEPTION DEPUTY YM KAISSOUNI AND DEPUTY YM HAAIZ GHANEM REMAIN AND CHANGE WILL NOT AFFECT PEACE PROCESS NOR HERALD CONFIDENTIAL

CONFIDENTIAL

PAGE 02 CAIRO 12407 01 OF 02 082003Z

NEW DIRECTIONS IN DOMESTIC POLICY. KAISSOUNI'S DEPARTURE APPARENTLY LARGELY RESULT OF SALEM'S DETERMINATION REMOVE HIM. KAISSOUNI -LAYERED INTO PM'S HANDS BY NOT WITHDRAWING LATEST RESIGNATION BUT, INSTEAD, TRYING USE THIS AS BARGAINING CARD. SALEM CALLED HIS BLUFF. MIN ECON EL SAYEH, A KAISSOUNI PROTEGE WHO HAD EARLIER TOLD US KAISSOUNI WOULD REMAIN

IN OFFICE, NOW CLAIMS HE RECEIVED TELEPHONE CALL FROM KAISSOUNI TWO DAYS AGO ASKING THAT HIS RESIGNATION BE ACCEPTED ON MEDICAL GROUNDS. ACCORDING EL SAYEH, KAISSOUNI WILL BE NAMED "ECONOMIC ADVISOR" TO THE PRESIDENT SO THAT HIS TALENTS STILL AVAILABLE TO GOE.

2. KAISSOUNI'S DEPARTURE COULD REDUCE INTERNATIONAL CONFIDENCE IN EGYPT'S DETERMINATION CARRY OUT NECESSARY ECONOMIC REFORMS. TIMING ALONE IS AWKWARD. SENIOR IBRD TEAM IS IN TOWN AND CONSULTATIVE MEETING SCHEDULED TAKE PLACE IN JUNE. IN CONVERSATION WITH VP REPORTED REFTEL AMBASSADOR EMPHASIZED NECESSITY OF MAINTAINING APPEARANCE OF CONTINUITY IN ECONOMIC POLICY. FOLLOWING TELEPHONE CONVERSATION WITH PRESIDENT, MUBARAK AGREED THIS IS KEY ISSUE. GOE EXPECTED TO ARGUE RETENTION REMAINDER ECONOMIC TEAM DEMONSTRATES COMMITMENT TO REFORM. EL SAYEH WILL BE PRINCIPAL MEMBER OF ECONOMIC TEAM AND FUAD HUSSAIN, KAISSOUNI CHEF DE CABINET, WILL JOIN MIN ECON AS DEPUTY MINISTER.

3. ABDEL RAZZAK ABDEL MEGUID'S ASSUMPTION OF PLANNING PORTFOLIO PROMISES NO RADICAL CHANGE. HE HAD LARGE HAND IN DRAFTING FIVE YEAR PLAN. SOME SEE ABDEL MEGUID AS SOLID, ACTIVE, INTELLECTUAL ECONOMIST WITH CONSIDERABLE INTERNATIONAL EXPERIENCE. OTHERS CHARGE HE IS FLAMBOYANT AND SHALLOW. HE DOES NOT HAVE KAISSOUNI'S CONFIDENTIAL

CONFIDENTIAL

PAGE 03 CAIRO 12407 01 OF 02 082003Z

STATURE NOR WILL HE INHERIT ROLE OF ECONOMIC "CZAR".

4. WHY CHANGE? ANNOUNCING RESHUFFLE TO PRESS, SALEM EXPLAINED GOAL WILL BE TO STABILIZE PRICES ON 31 ESSENTIAL (BUT UNNAMED) COMMODITIES, WHILE RATIONALIZING OPEN DOOR POLICY BY PROMOTING DEVELOPMENT AND PROTECTING DOMESTIC PRODUCTS. PM SAID GOVERNMENT WILL INCREASE WAGES THROUGH INCENTIVE SYSTEM AND AID THOSE IN LOWEST INCOME BRACKETS THROUGH FURTHER TAX REFORMS. SALEM LISTED THREE PRIMARY CABINET AIMS: PEACE BASED ON JUSTICE, DEMOCRATIC DEVELOPMENT (WITHIN FRAMEWORK NATION'S HIGHER INTERESTS), AND RADICAL REFORM OF ECONOMY, WITH BRAKES APPLIED TO INFLATION SPIRAL.

5. BUT EFFICIENT? PRESS TODAY underscored PUBLIC EXPECTATION THAT RESHUFFLE RESULT IN GREATER GOVERNMENTAL EFFICIENCY. IT WONT. DIVISION OF THREE MINISTRIES INTO COMPONENT PARTS, INCREASE OF PORTFOLIOS DISTRIBUTED, AND REDUCTION IN NUMBER DEPUTY PM'S WILL MAKE COORDINATION EVEN MORE DIFFICULT TO ACHIEVE. EXCEPTION COULD BE IN SPLITTING SUPPLY FROM INDUSTRY. FORMER IS MORE THAN FULL TIME JOB. HOWEVER, WITH 28 FULL MINISTERS

CABINET SHOULD PROVE SLIGHTLY MORE UNWIELDY THAN HITHERTO.

6. CORRUPTION. RESHUFFLE COMPLETELY AVOIDED CORRUPTION ISSUE. EL SAWI STAYS ON, AS DO THOSE TAGGED WITH RESPONSIBILITY FOR ALLEGED MALFEASANCE IN HOUSING, TOURISM AND OTHER AREAS.

7. NEW FACES. NEW MINISTERS, WITH EXCEPTION ABDEL MEGUID, ARE TRULY NEW--NEITHER PRESS NOR EMBASSY KNOW MUCH ABOUT THEM. THEY HAVE NO GOVERNMENTAL TRACK

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PAGE 04 CAIRO 12407 01 OF 02 082003Z

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PAGE 01 CAIRO 12407 02 OF 02 082008Z
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CONFIDENTIAL SECTION 02 OF 02 CAIRO 12407

RECORD ON WHICH JUDGEMENT AS TO LIKELY PERFORMANCE CAN BE MADE. PAPERS SUGGEST FOUR ARE CENTER PARTY WHEEL HORSES, FACT POSSIBLY CONFIRMED BY NEW MIN AGRICULTURE'S PREVIOUS SERVICE AS CENTER PARTY HEAD FOR DISTRICT IN ALEXANDRIA.

8. WHY DID THEY GO? KAISSOUNI'S DEPARTURE APPARENTLY RESULT PERSONALITY AND POLICY CLASHES WITH SALEM, (CLASHES HEIGHTENED BY SALEM'S IRRITATION THAT KAISSOUNI REGARDED AS "INDISPENSIBLE"). LESS CLEAR WHY

OTHERS GOT CHOP BUT WE SUSPECT PERSONALITY MAY ALSO HAVE BEEN ISSUE. GHANEM'S DEPARTURE HAS SURPRISED ALL AND WE HAVE AS YET HEARD NO CONVINCING EXPLANATION. ONE THEORY IS THAT HE WAS OFFERED ANOTHER CABINET POST BUT WITHOUT DEPUTY PRIMIN STATUS AND REFUSED. SALEM AND GHANEM HAVE LONG BEEN COMPETITORS FOR POLITICAL INFLUENCE. TALAAT HAS MAINTAINED EXCEEDINGLY LOW PROFILE; WE CAN NOT RECALL SINGLE POLICY STATEMENT HE HAS ISSUED. ONLY SPECULATION HAS CONCERNED HIS POSSIBLE OPPOSITION TO USE OF MILITARY COURTS IN TERRORISM CASES. HE HAS GENERALLY BEEN CONSIDERED WEAK, NON-ENTITY.

9. AND, THE OPPOSITION. RESHUFFLE UNLIKELY APPEASE
CONFIDENTIAL

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PAGE 02 CAIRO 12407 02 OF 02 082008Z

SALEM'S CRITICS. THEY WILL DESCRIBE IT (WITH CONSIDERABLE ACCURACY) AS LATEST ROUND IN MUSICAL MINISTERIAL CHAIRS. EVEN PRO-GOVERNMENT PRESS HAS HINTED AT DISILLUSION. GUMHURIYYA, NOTING "ADMINISTRATIVE REVOLUTION" HAS DEGENERATED INTO COMMITTEES, CONFERENCES, REPORTS AND STUDIES, SAID PEOPLE DO NOT WANT "GREEN REVOLUTION" TURNED INTO PLEASING PHRASE. CONCLUDED PUBLIC WANTS REAL ACTION, NOT PROMISES AND STATEMENTS. AKHBAR AND AHRAM AGREED. IF THIS IS ACCURATE READING OF PUBLIC MOOD, EGYPTIANMS MUST BE DISAPPOINTED BY LIMITED NATURE CABINET RESHUFFLE. ASU SECGEN MUSTAFA KHALIL DESCRIBED IT TO AMBASSADOR AS "JOKE". WE SUSPECT MANY EGYPTIANS THIS VIEW, EVEN IF FEW ARE

10. AS INTERESTING SIDELIGHT TO MINISTERIAL SWEEPSTAKES, AMBASSADOR QUERIED MUBARAK ON AKHBAR AL-YOM'S EARLIER ACCOUNT OF GAMASY'S POSSIBLE DEPARTURE FROM CABINET. MUBARAK STRONGLY DENIED THERE ANYTHING TO TALE. VP SAID HE WARNED MUSTAFA AMIN NEVER AGAIN TO WRITE ARTICLE ABOUT ARMY WITHOUT CHECKING WITH VICE PRESIDENTIAL OFFICE. FURTHER, MUBARAK SAID HE INSTRUCTED MIN CULTURE AND INFORMATION EL SAWI TO MAKE SAME POINT TO REST OF PRESS. EILTS

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